



UAC of Nigeria PLC: H1 2023 Results Conference Call Transcript

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Presenters:

- Mr. Fola Aiyesimoju (Group Managing Director, UAC of Nigeria PLC)
- Mrs. Funke Ijaiya-Oladipo (Group Finance Director, UAC of Nigeria PLC)

Moderator:

- Mrs. Temitope Omodele (Senior Vice-President, Finance, UAC of Nigeria PLC)

1. Presentation

Moderator: Good morning and good afternoon, ladies and gentlemen. Welcome to UAC of Nigeria PLC's Half year 2023 results conference call. Please note that this call is being recorded.

This conference call will be hosted by Fola Aiyesimoju, the Group Managing Director of UAC of Nigeria PLC and Funke Ijaiya-Oladipo, the Group Finance Director. Following prepared remarks by UAC's management team, there will be an interactive Q & A session. I will now hand the call over to Fola Aiyesimoju, please go ahead.

Fola Aiyesimoju (*UAC Group Managing Director*)

Introductory remarks

Thank you, Temitope. Good day all, and welcome to UACN's half year results presentation. As Funke and I run through our prepared remarks, we will refer to page numbers, which can be found in the top right corner of each slide. Please now turn to slide 5.

Macroeconomic review

Operating conditions in the first half of 2023 were very difficult. We experienced high levels of inflation continuing the trend from 2022, we grappled with acute shortages of cash in circulation on account of challenges with the execution of a currency redesign program, businesses were closed as Nigeria held elections across various tiers of government and the economy suffered the dual shock of petrol price deregulation and liberalization of the foreign exchange regime. These factors affected businesses in multiple ways: Trading days were lost, consumer purchasing power reduced, input costs escalated, and distribution cost rose. In addition, companies with foreign exchange denominated liabilities recorded meaningful mark-to-market losses.

At UAC, we focus on capital allocation and operational execution and continue to try our best to navigate the current climate. A factor that is not reflected in the charts on this slide is the continued loss of talent to immigration. This remains one of our biggest headaches.

Slide 6 outlines the price escalation for key raw material inputs in our operating segments. In the Animal Feeds and Edibles segment, the biggest concern over the course of the half year has been the sharp escalation in the cost of maize, with price increasing from ₦250,000 a tonne to more than ₦400,000 a tonne. Key raw materials in the Paints segment were relatively stable in the first half, however we expect the sensitivity to foreign exchange rates to drive price escalation over the course of the second half of the year.

Our Packaged Food and Quick Service Restaurants businesses have both experienced sharp escalation of key raw material inputs. Prices for flour, vegetable oil, milk powder, and sugar have all risen meaningfully. Here also, we expect the trend to continue on account of pressure on the Naira.

As mentioned, perhaps the biggest macroeconomic shock in the first half of the year was the increase in the price of petrol, which has broad inflationary implications. We have seen increases in our selling and distribution costs and we will see increases in employee costs going forward.

Performance highlights

On our full year 2022 results called in April, we highlighted the negative impact of underperformance at the Animal Feed and Edibles businesses as well as challenges in the second half of 2022 in our Packaged Food business. As such, our focus over the course of the first half of the year has been on reversing the performance trends in these businesses.

Slide 8 highlights the progress we have made, which culminated in an overall return to operating profitability in the second quarter of the year. We made certain capital allocation decisions which resulted in net profit meaningfully in excess of operating profit.

Slide 9 outlines progress in our Feeds business, which still requires considerable efforts. We reduced operating expenses and refined pricing to achieve a more than 80% reduction in the monthly loss rate. We have also rebounded the technical and operations teams with a bid to improving product quality and consistency. We are implementing projects to reduce energy costs and deepen distribution and expect to see the full benefit over the course of the year. It is important to note that this business is the most sensitive to the challenging economic conditions and rising interest rates, and as such progress will not be linear. We expect a very challenging Q3.

In our Packaged Food and Beverages business, we similarly delivered meaningful operational improvement from driving efficiency and improving product availability. We also carefully selected target markets to manage distribution costs. This segment will also be affected by current challenges but we expect the overall positive trajectory to continue.

Slide 11 touches on our other businesses, our Paints business continues to deliver solid growth in revenue and profitability. We are increasingly focused on localizing supply chains and deepening distribution. Our Quick Service Restaurants business currently has 30 corporate stores, and we are implementing initiatives we expect to meaningfully reduce the operating cost base in these business, leveraging scale within the group. MDS Logistics continues to deliver operationally and grow its haulage business, and at UPDC, we are accelerating the property development aspect of the business to drive profitability.

Strategic initiatives

In addition to the operational initiatives discussed, slide 12 outlines efforts relating to governance, people and structure. To better align overall strategy and governance, I now chair the Boards of Directors of our key businesses - Grand Cereals, UAC Foods, CAP PLC and UAC Restaurants. Livestock Feeds the other core business within our Group, continues to be chaired by Joe Dada. Debola Badejo, who was most recently Managing Director at UAC Restaurants, has been appointed Executive Director Investments at UAC and will work with me on driving overall value creation as well as seeking the opportunities for growth.

We recently received shareholder approval and court sanction at the UAC Foods and SWAN for the merger of these businesses. You may recall that UAC Foods, a 100% owned subsidiary of UAC, owned 97% of a separate legal entity - Spring Waters Nigeria limited which owns SWAN, our Spring Water business. We are combining these 2 companies into one entity. Post the merger, becoming effective, UAC will own more than 99% of the equity in the enlarged UAC Foods.

Finally, we continue to try to actively manage borrowing costs, leveraging the capital markets as appropriate. We have ₦6 billion of commercial papers outstanding, which we lend to our operating segments. I will now hand over to Funke to run through details on financial performance.

Funke Ijaiya-Oladipo (*UAC Group Finance Director*)

H1 2023 financial performance

Thank you Fola, and good afternoon ladies and gentlemen, please turn to slide 14. This slide provides an overview of the Group's financial performance comparing the half year results for 2023 with 2022. Our results for the first half of the year were mixed. Performance in the first three months of the year was characterized by slower topline growth which was impacted by limited trading during the general elections and scarcity of cash which affected consumer demand. In the second quarter of the year, we delivered double digit growth in revenue, gross profit, operating profit, and earnings per share. Looking at the entire six-month period compared to 2022, the results are modest.

To put this context to numbers, UAC Group recorded consolidated revenue of ₦52.9 billion, 2% higher year on year. All of our operating segments recorded topline growth apart from the Packaged Food and Beverages Segment. The Group's revenue growth was primarily driven by price increases implemented across all our operating segments to mitigate the impact of inflation, as well as strong volume growth in our Paints segment. Gross profit margin contracted 87 basis points to 16.3% from 17.2% as a result of rising raw material costs which were not sufficiently offset by price reviews across all our businesses apart from the Packaged Food and Beverages segment, which recorded 379 basis points expansion in gross margin. The Packaged Food gross margin expansion was a result of improvement in conversion cost particularly in raw material costs and power efficiency as we transitioned from diesel to gas at our snacks factory in April 2023.

The Group recorded a small operating loss of ₦35 million, and this was impacted by two things. The first is higher operating expenses which increased 14% year on year. This increase is reflective of the broader impact of inflation on expenses. As a group, the most significant increases experienced were electricity and power costs, distribution expenses, and personnel costs and these are attributable to higher electricity tariffs and diesel prices, higher haulage rates, and cost of living adjustments to employee remuneration. The second factor to note is that in 2022, UAC - the Holding Company - recorded ₦400 million as other income representing profit from the disposal of non-core property assets which affects year on year comparison.

We recorded profit before tax of ₦3.2 billion. Our profitability was supported by two key things. The first is net finance income of ₦2.7 billion recorded in 2023 compared to net finance cost of ₦1.5 billion in 2022. Our finance income was driven by higher yields on financial investments and more materially, the Naira devaluation in June 2023 which resulted in a foreign currency revaluation gain of ₦3.6 billion on the Group's treasury investment portfolio of which approximately 30% is denominated in foreign currency. Our finance costs were broadly flat year on year reflecting the impact of deleveraging to mitigate rising borrowing costs. The second is that we recorded a share of profit from our associate companies of over ₦480 million compared to a loss this time last year. This share of profit reflects the net impact of the profit from our logistics business, MDS, which was driven by sales from haulage operations and a small loss from UPDC PLC, our property development business. Overall, our earnings per share for the period was 53 kobo in 2023 compared to a loss per share of 17 kobo in 2022.

Key factors impacting Group operating profit – Q2 2023

Please turn to slide 15 which provides additional context on the key drivers of operating profit in the second quarter of 2023. We recorded operating profit of ₦665 million in the second quarter of 2023 supported by higher revenue across all operating segments which more than offset increases in operating expenses. We also recorded a small profit as other income from the disposal of investment property.

Key factors impacting Group operating profit – H1 2023

Please turn to slide 16 which provides additional context on the key drivers of our operating profit in the first half of 2023. As explained earlier, we recorded a small operating loss of ₦35 million in the first half of 2023. Profitability recorded in the second quarter of the year did not offset underperformance in the first quarter.

Balance sheet and liquidity

Please turn to slide 17 which shows a snapshot of the Group's financial position as at 30 June. The key things to highlights are Debt. Our Group's net debt is ₦3 billion; and our overall debt is ₦18 billion. This amount is largely short-term in nature to support working capital across our business. We are conscious of the impact of finance costs on profitability and so, we continuously seek to optimize funding costs and have taken deliberate steps to reduce leverage particularly in our Animal Feed segment.

The second point worth highlighting is the capital expenditure of ₦2 billion which is largely attributable to our Packaged Food and Beverages business, more specifically, the final phase of our recently installed bottling line for our spring water business. I will now hand over to Fola to take us through the next section of the presentation.

Fola Aiyesimoju (*UAC Group Managing Director*)

Outlook

Thank you, Funke. In conclusion, we expect more short-term economic challenges which we hope will give way to improved market conditions as the effect of recent reforms are felt. As such, we expect that margin pressure will continue and will seek the balance between absorbing rising costs and passing these on to the already stretched consumer. We have taken certain steps to ease the burden on some of our most vulnerable employees and need to do more and our focus about the rest of the year will remain firmly on performance at our Animal Feed business. we will continue to focus on simplicity and efficiency and work hard to address the immigration related challenges as relates to talent acquisition and retention. Thank you for making the time to participate in this call, we will now take questions.

2. Questions and Answers

Michael Oyeleye (*Stanbic IBTC Pension Managers*)

Thanks for the call, I didn't catch anything on the Restaurants business. I know couple of quarters back you talked about your expansion plans so just wanted a bit more context around the group's investment in the restaurant business, thank you.

Fola Aiyesimoju (*UAC Group Managing Director*)

Thank you very much, Michael. I think what you are probably referring to was our commitment to get, in the near term, 30 corporate stores opened which we have achieved. What we are doing now is trying to drive profitability through those 30 stores, and we have identified some initiatives where we can leverage the overall scale of the group to meaningfully drive down the costs in the Restaurant business. We are implementing these projects over the course of the second half of the year and then we will go back to continue the acceleration of corporate store roll out for the Restaurant business. Michael, I hope that answers your question.

Michael Oyeleye (*Stanbic IBTC Pension Managers*)

Yes, it does.

Brad Virbitsky (*Equinox Partners*)

Hi. Thank you for taking my question. On the QSR business, what level, what number of restaurants do you think is the right number for profitability to start to come through? So, like do you need 50 restaurants to see profitability, or is it close to the number you are at?

Fola Aiyesimoju (*UAC Group Managing Director*)

Thanks Brad. I think if you asked this question a year ago, the target number we had in mind was between 50 and 60 restaurants depending on how well each individual store performed. If we are successful with what we are trying to do now, that number comes down meaningfully to maybe between 30 and 40 restaurants.

Brad Virbitsky (*Equinox Partners*)

OK. The things you are talking about is sort of sourcing resources using the group balance sheet. Is that what you are talking about?

Fola Aiyesimoju (*UAC Group Managing Director*)

At the danger of giving away a strategy, what we realized was UAC Restaurants is 2% or so of the group's turnover and relies on several inputs that we use in other parts of the business. The Foods business and the Restaurants business both use meat, beef, flour, sugar, and the Restaurant business consumes fractions of what the Food business consumes. The Restaurant business factory was running on diesel and is in very close proximity to the Foods business which is running on gas. So it is just at least half a dozen of operational initiatives from sourcing to cost of energy, which we are already implementing. And if we get this done successfully, we should take out easily half of the conversion costs in this business, which would bring profitability much closer even with the number of stores we have today.

Brad Virbitsky (*Equinox Partners*)

Ok. Following up on that. You moved the restaurant MD back to the group, who is the new restaurant MD and what is that person's background?

Fola Aiyesimoju (*UAC Group Managing Director*)

We are in the market for a GM for the Restaurants business. In the interim the restaurants MD Debola continues to oversee that business. He is the Executive Vice Chairman of that business, and part of the thinking for this change was if we are successful, with this leverage we are trying to achieve, a lot of the running cost of the restaurants business would be meaningfully reduced, and then the focus will be on the GM to run the corporate stores. So, we are in the market for a GM and we expect to appoint one by late third quarter, early fourth quarter. In the interim, Debola continues to oversee the Restaurants business.

Brad Virbitsky (*Equinox Partners*)

OK, another question I have is that the Q2 margins for Paints and Packaged Food was significantly higher than the Q1 margins. Are those margins sustainable going forward? Or was there a one time reason for the higher margins in those two businesses?

Fola Aiyesimoju (*UAC Group Managing Director*)

Q1 was very affected by the month of February. The month of February was the month in which the impact of the currency redesign program was most acutely felt, and volumes dropped January to February by between 30 and 40%. So even at the same naked margin (revenue minus material cost), with the 30% drop in volume you will really compress your margins so Q2 and Q1 are not directly comparable. Going forward, I mean both businesses have reasonably strong brands and good pricing power so we are going to attempt to maintain those margin levels, but it is difficult to overstate how stressed the consumer is in this current period. We expect things to settle down over the course of the year and so the extent to which we can keep pushing those material price increases without seeing the meaningful drop in demand is very difficult to estimate. But over the long run, given the pricing power of those two businesses, we do not see any reason why the margin profile will be any different.

Brad Virbitsky (*Equinox Partners*)

OK. Thank you. With new administration, a lot of changes happening. I'm curious from your perspective, From a capital planning perspective, are there big CapEx projects you are looking at? Or from an M&A perspective, has your outlook changed at all? Are you more willing to do something big or is it still wait and see? What are you guys focusing on now?

Fola Aiyesimoju (*UAC Group Managing Director*)

I think we are long-term bullish and our view is that in times of pain like Nigeria is going through now, there is meant to be an opportunity and companies like ourselves who have been here for over 100 years must position ourselves to take advantage of the opportunities that will come our way. That is long term, and that is our stand. Short term, we think there is going to be a very difficult couple of quarters. Whether it is 1 or 2 or 3, we do not know and so we are going to be short term cautious, just making sure that we are liquid, we are not overextending ourselves so that we are around to take advantage of these long-term opportunities.

Brad Virbitsky (*Equinox Partners*)

OK, great. Thank you.

Moderator: Your next question is from Oweniwe Ifeoma (*EcoBank*)

Fola mentioned that short term economic challenges are expected, my question is what measures are being put in place to cushion the effect of these challenges when they occur? Secondly, how did the group manage with employee remuneration and compensation?

Fola Aiyesimoju (*UAC Group Managing Director*)

For our stakeholders, we have taken baby steps and we need to do more on our primary stakeholder in this regard, our employees. For the lowest paid employees, we have done one-off palliative payments and we are currently going through reviews to try to move compensation to match the higher cost of living that employees are going through. For the business, we are focusing on liquidity. So, we need to make that there is enough liquidity to survive whatever storms come through. We are laser focused on margin because it's very easy for your margins to be eroded in a high inflationary environment and avoiding unnecessary expenditure in terms of the things we do for the business and the primary stakeholders are all that we focus on in this regard.

Moderator: Your next question is from Charles Chioma (*Stanbic IBTC*)

How many restaurants do you have currently?

Fola Aiyesimoju (*UAC Group Managing Director*)

We have around 60 restaurants, currently 30 corporate owned and around 30 franchised restaurants. The number of franchised restaurants moves about quite a bit. It has come down from over 100 because we are very aggressive in shutting down any franchisee that does not meet our quality standards.

Moderator: Your next question is from Adegoke Adetoyinbo (*CSL StockBrokers Ltd*)

On the previous FY 22 call, Fola said the group has received license for the Paint business to export paints to nearest African countries, is the exporting activity in motion? How has this contributed to the paint business topline in H1? Thank you.

Fola Aiyesimoju (*UAC Group Managing Director*)

We have not started. We plan to start with Cameroon. We have recruited a team that is now in place, and unless we are very unlucky, we would get the first batches of paint off to Cameroon sometime this year. We have modest aspirations for what this would do to the business, just in terms of the scale of Nigeria relative to Cameroon, it is about 10x in size and the difference in market position of the brands in Nigeria versus Cameroon. But we plan to learn from the experience and then accelerate therefrom; but it is going to happen to be meaningful driver of top line of Paint in the near term.

Adegoke Adetoyinbo (*CSL StockBrokers Ltd*)

All right. Thank you, that explains it.

Mike McGoughy (*Research Alpha*)

I wanted to see if we can get some insight into the market share of the Feed business and is that market share increasing or decreasing? What is the trend there? And also who are the biggest competitors in that sector? Thank you.

Fola Aiyesimoju (*UAC Group Managing Director*)

The Feed business operates in 3 big segments: poultry feed, fish feed and edible oils but the biggest contributor by far to that business is poultry feeds which is about 70% of the company and there we have about 18% market share. We have lost market share in that space over the last few years and the biggest competitors there are Olam and Top Feeds, which is part of the Flour Mills Group. I am referring to the commercial Feed millers. You have big players who mill for their own consumption but I am limiting to the commercial feed mills. There is also a company called Hybrid, so I'll say Olam and Flour Mills being the most direct and then Hybrid being another meaningful player in the segment.

Mike McMcGoughy (*Research Alpha*)

Ok, Thank you very much.

Moderator: Your next question is from Sruti Patel (EFG Hermes)

Thanks for the results call, much appreciated. I'm looking at slide 11 and wondering how those segments shift over the next 5 years. i.e., how much contribution to revenues do you see from QSR in 2028 for example.

Fola Aiyesimoju (*UAC Group Managing Director*)

It is difficult to put a number on to it because I know you are going to hold me to that number in 5 years, but we plan to grow our Packaged Food, Paint and QSR businesses aggressively, so every dollar for growth goes first into those 3 segments. How quickly they each grow will determine the relative percentages, but we plan to grow those 3 very, very aggressively so those 3 would take up a bigger share of the overall revenue pie.

Moderator: Your next question is from Lelhaam Ismail (*M&G Investments*).

Since FX market liberalization have you seen an improvement in liquidity?

Funke Ijaiya-Oladipo (*UAC Group Finance Director*)

To be honest, we haven't seen much improvement in liquidity, but I think for us, our FX requirements are pretty limited, so we are not typically in the market for that; FX liquidity will not materially impact our business. I hope that addresses your question.

Moderator: Your next question is from Onome Ohwovoriole (*Money Africa*)

What was the source of the FX gains recorded during the period?

Fola Aiyesimoju (*UAC Group Managing Director*)

We, first of all try to avoid foreign exchange mismatch, so we avoided dollar liabilities almost at all cost, but in the course of our business, we do require FX to buy plant and equipment, to import items, and we try to make sure that we have a bit of liquidity to do these things. So I think the avoidance of big FX liabilities, managing our treasury to ensure that we are able to meet our needs, and a very big focus on localized supply chains is what resulted in the gains we recorded in the first half of the year.

Moderator: Your next question is from Adewale Okunrinboye (*Access Pensions*)

I think it's good to see numbers like these after recent weak trends. Where do you see yourselves in terms of your strategy when you took over UACN? Has the recent economic dislocation put you off or how do you see things relative to your north star? Secondly, I see UACN active in the CP market, how

do you assess bank financing relative to working capital financing for UAC entities? Thirdly, what is the play for your real estate over the medium term?

Fola Aiyesimoju (*UAC Group Managing Director*)

Firstly, thank you. Where do we see ourselves related to strategy? It's fair to say that the last few years have been very, very difficult and we know we anticipated macro conditions as difficult as those we have experienced. You may recall that at the very start of our getting involved with UAC, we set ourselves 3 broad targets: People - improve the talent, quality and culture in the group, structures - simplify the structure of the group, and growth. We are quite harsh critics of ourselves, so we still have a lot of work to do, but we have also learned a lot in the last few years.

From the people perspective, we have done a decent job just in terms of strengthening talent, bringing through management trainees and strengthening culture, but we are not immune for migration, so that work is never going to be finished. Structure: we are now minority in UPDC and MDS as we have sold our control and we have merged our Paints businesses. We have acquired 100% of our Food business and we have merged the subsidiary of the Food business with the Food business, so we have also made good progress. There's still more work that we are going to do with simplifying the structure of the group so I would say work in progress there.

Growth: we have had a mixed record. For the companies that have been the core of our focus and our aggressive growth areas, our Packaged Food, paint and QSR, I would say we have done a decent job but it is crystal clear that the challenges we have recently experienced in Animal Feed business have almost overshadowed all the progress in those businesses and so our focus is on addressing those challenges.

Our play for real estate: we are minority shareholders in UPDC. Custodian is doing a fantastic job of growing and managing that business while we try to be supportive partners. Over the long term, we would exit the business but our focus for now is on supporting our partners, Custodian, in continuing to grow value in UPDC. For the real estate on our books, our focus is to divest these things. They are non-core low yielding assets and require a meaningful amount of operation and intensity to keep licenses, permits and titles up and running. So, we are going to divest these things and reinvest in our core.

Funke Ijaiya-Oladipo (*UAC Group Finance Director*)

In response to your question on financing strategy, as a group, we try and get the best financing for group companies and sometimes UAC, the holding company, plays a role by sourcing better priced funding from the capital markets via commercial papers. Essentially, we just try and look at opportunities to refinance bank debt, so we use a combination of bank debt and commercial paper.

Moderator: Your next question is from Sruti Patel (EFG Hermes)

How much room do you have to increase prices? Any categories where it's easier or impossible?

Fola Aiyesimoju (*UAC Group Managing Director*)

Thank you Sruti, I will start with the second half of your question. It varies meaningfully by operating segment. We are fortunate that in certain segments, Packaged Food, Paint and QSR, we have very good market position and so, it's not easy, but we generally move price, and the industry follows. A lot also depends on the nature of competition within the industry. We are conscious that regardless of how strong the market position the consumer is stretched. So, if prices have gone up 30%, 40% and 50% and sales have not moved up, the consumers are quite simply unable to absorb these pricing increases.

The industry or the segment that is by far the most difficult to move prices is the Animal Feed and Edibles segment and I think it's for a number of factors: one is the low margin and two is the segment in which you have several large players that don't have that huge difference in terms of the market size and position. But for the Paints, QSR and Packaged Foods, I would say not overly complicated, but not easy by any stretch.

Moderator: Your next question is from Francis Daniels (*Anibok*)

Could you give more color on your long dollar investment exposure and whether you intend to keep it at current levels or reduce it. Secondly, what are your long-term views on your logistics investment which seems to be growing under current management.

Fola Aiyesimoju (*UAC Group Managing Director*)

Thank you, Francis. I have addressed the dollar exposure, we were more lucky than smart. We are not a hedge fund so we are not trying to profit from taking dollar positions. We will just keep on trying to avoid FX mismatches, so we will try to avoid dollar liabilities and try to ensure that we have some dollars to meet working capital and Capex needs. In some certain periods, we'll be lucky like where we are now. I mean, if the Naira appreciates like some people expect, we may not be as lucky but trying to make money off trading dollars is not by any stretch part of our business model. We are trying to invest to grow our operating segments and have quite frankly been lucky in this particular quarter.

Logistics, our partner there is Imperial or now DP World, we are still very big minority shareholders. I think it's important to note that in both UPDC and MDS, we own 43%. We are very active on the board of those companies and it is likely that at some point in the future, we will exit this business but there is no rush. We focus on working with our partners to deliver value, so it's not on our radar; the day-to-day focus is on growing the business with our partners, DP World.

Moderator: Your next question is from Manjunath (*Themis Capital Management*)

What initiatives has the company undertaken to enhance the performance and offerings of UPDC Hotel since its reopening?

Fola Aiyesimoju (*UAC Group Managing Director*)

We brought in a gentleman called Shusha. He was the GM of the hotel several years ago, at the time when the hotel was operating at its best and he now runs the hospitality consulting company to support us. The focus has been very much on the basics which is the quality of offering to the guest of the hotel. We invested in infrastructure, cooling, water, power, just to make sure that the base hygiene factors are in place, and he has now launched several micro initiatives, trying to get a particular night at the restaurant of the hotel to draw in local traffic which will then spread the word that the hotel is indeed back and operational and hopefully drive room rate and occupancy, and then also doing a lot of work with corporates as it is one of the few hotels that has the scale to host big conferences. These are the broad things that are being done and we hope will drive some benefit and value in that hotel.

Moderator: This concludes the Q&A session. I will now hand the call back to Fola Aiyesimoju for his closing remarks.

Fola Aiyesimoju (*UAC Group Managing Director*)

Thank you so much Temitope, I thank everyone for making time to participate in this call and for the insightful questions. I wish everyone a wonderful rest of the day. Thank you.

Moderator: That concludes the UAC of Nigeria PLC half year 2023 results call. Thank you for your participation. You may now hang up.